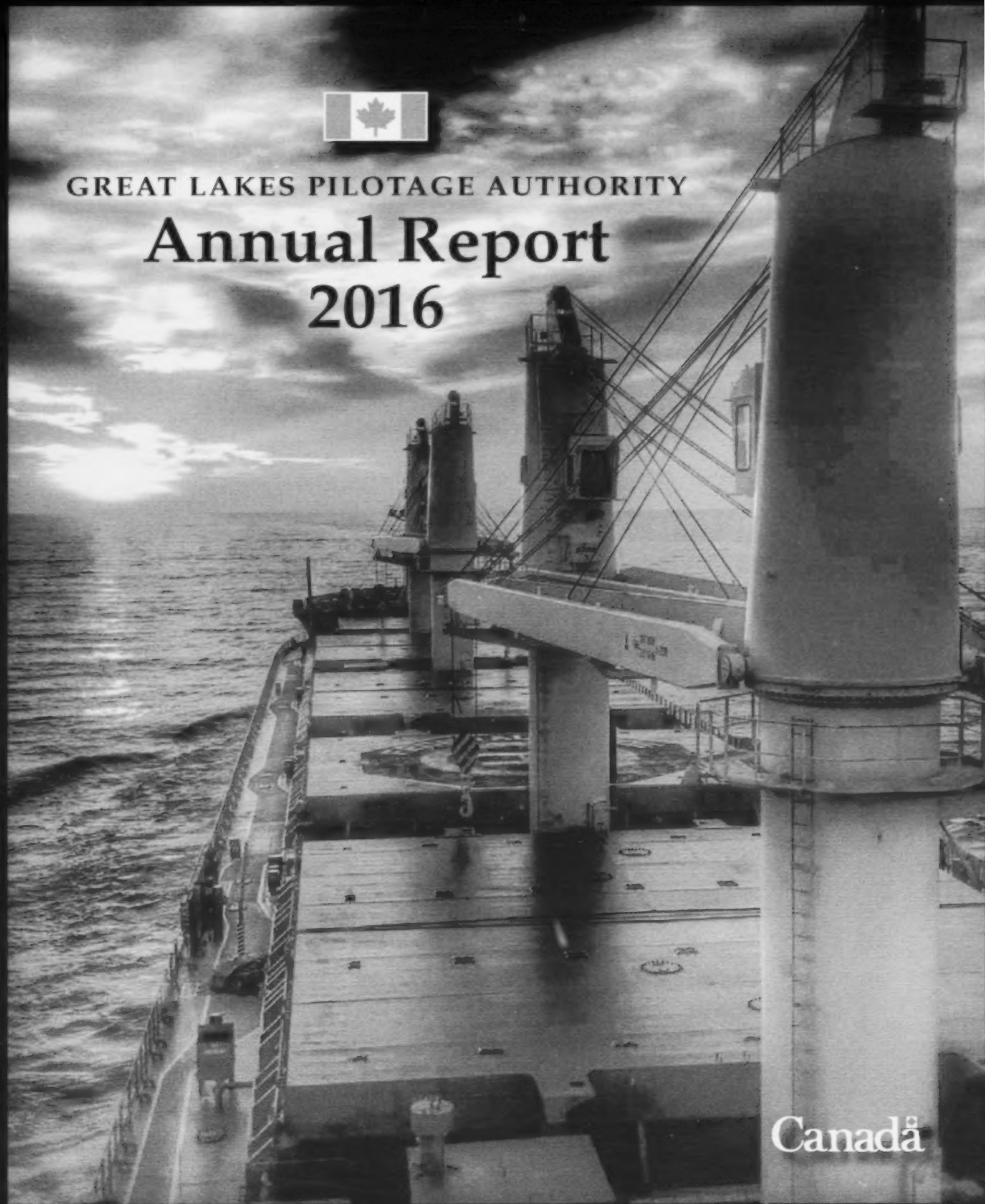

GREAT LAKES PILOTAGE AUTHORITY

Annual Report 2016

Canada

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All photos in this report were taken in the Great Lakes by Authority pilots.

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BOARD OF DIRECTORS

Acting Chair
①② MS. D. DION
Public Interest Representative

Member
① CAPTAIN M. PRATT
Pilot Representative

Member
① CAPTAIN J. POUND
Shipping Industry Representative

Member
② MR. D. GRIEVE
Shipping Industry Representative

Member
② CAPTAIN M. DESROCHERS
Pilot Representative

Member
② MR. T. GEDDES
Public Interest Representative

① Member of the Governance and Human Resources Committee
② Member of the Audit Committee

EXECUTIVE OFFICERS AND MANAGEMENT OF THE AUTHORITY

Executive officers and management of the Authority, *from left to right, front row,* Diane Couture, Director of Operations; Christine Doherty, Executive Assistant; Kim Pecore, Payroll, Personnel and Systems Administrator; Nathalie Archambault, Chief Accountant; *back row,* Richard Quenneville, Operations Manager; Robert Lemire, Chief Executive Officer; Stéphane Bissonnette, Chief Financial Officer.

MESSAGE FROM THE ACTING CHAIR AND CHIEF EXECUTIVE OFFICER

February 23, 2017

The Honourable Marc Garneau, P.C., M.P.
Minister of Transport

On behalf of the Board of Directors and Management of the Great Lakes Pilotage Authority (the Authority), we are pleased to submit, pursuant to Section 150 of the *Financial Administration* Act, our 2016 Annual Report.

The Authority continues to provide safe, efficient and reliable pilotage services in the Great Lakes Region and the Port of Churchill, Manitoba. Marine incident levels in 2016 have decreased by 66.7% versus 2015 and by 65.1% versus the last 5 year average due in part by the Authority's continued training regime for apprentice pilots and pilots. The Authority incurred, as planned, a small operating loss in 2016 of $0.8 million following a six year period when the Authority recorded operating surpluses of $5.0 million. The Authority's approved Corporate Plan sees the Authority return to a positive self-sufficient level in 2019.

Vessel traffic in 2016 was just below the 2015 traffic but was 5% higher than forecasted and exceeded the five year average, reflecting the slight economic improvements in the North American economy seen each year since the 2008 financial crisis. This increase in traffic continues to be serviced with pilot crewing levels that have decreased, increasing the productivity of all Authority pilots. The Authority started in 2015 to renew its workforce due to unscheduled pilot retirements. A total of 17 apprentice pilots (27% of total workforce) have been hired in the last 24 months with another 6 apprentice pilots (10% of the Authority's workforce) to be hired in 2017. The Authority has had a great deal of success in meeting its succession needs with these new hires which is the major reason for the 2016 operating loss as training costs for the new apprentices reached $1.3 million in 2016.

The Authority continues to follow the Government of Canada's objectives of reducing costs as evidenced by a 9.2% reduction in administrative costs and has put in place a transparent and comprehensive travel and hospitality policy for its employees. The Authority has also been successful in meeting the Government's priority in dealing with employee mental health issues and will continue with the above initiatives. The Authority embraces the concept of providing a healthy and supportive work environment as well as recruiting and developing individuals with the skills and competencies to serve Canadians effectively in the future.

The users of the services have seen tariffs increase during the period of 2013 to 2016 (4 years) by an average of 2.0% during a period where inflation and wages have averaged 2.5% a year. The shipowners and operators in the Great Lakes continue to experience historically low returns on their ships, therefore the Authority's actions of maintaining tariffs below inflation allows the Great Lakes shipping to be competitive and environmentally beneficial to the Canadian transportation system.

Revenues in 2016 increased by 1.3% to $25.9 million from 2015 due mainly to the increase in tariffs for 2016. Expenses for 2016 totaled $26.7 million, an increase of 3.1% due mainly to the increase in training costs associated with the Authority's pilot succession plans, offset by the 9.2% reduction in administrative costs. The Authority's year end accumulated deficit of $1.6 million will be eliminated in 2019 when the Authority returns to generating surpluses.

We would like to recognize the important role of the Board of Directors, dedicated management and staff and the highly skilled and professional group of pilots, as they all played a major role in allowing the Great Lakes Pilotage Authority to continue to meet its objective of providing safe and efficient pilotage in the Great Lakes.

On behalf of the members of the Authority

Danièle Dion
Acting Chair

Robert F. Lemire
Chief Executive Officer

MANDATE

The Great Lakes Pilotage Authority, Ltd. was established in February 1972 pursuant to the *Pilotage Act*, incorporated as a limited company in May 1972, and was continued under the *Canada Business Corporations Act*. Until October 1st, 1998, it operated under the name of Great Lakes Pilotage Authority, Ltd. Pursuant to the *Canada Marine Act*, which received Royal Assent on June 11, 1998, the name of the Authority was changed to Great Lakes Pilotage Authority and the Authority is deemed to have been established under subsection 3(1) of the *Pilotage Act*. The Authority is a Crown corporation listed in Schedule III, Part I of the *Financial Administration Act*. On October 1st, 1998, the Authority ceased to be a subsidiary of the St. Lawrence Seaway Authority and has surrendered its charter under the *Canada Business Corporations Act*.

OBJECTIVES

The Authority's corporate objectives are summarized as follows:

- To provide economic, safe, reliable and comprehensive marine pilotage and related services in its region of responsibility.
- To promote the effective utilization of the Authority's facilities, equipment and expertise through the productive application of these resources in such activities and geographic areas as may be appropriate in the interest of safe navigation.
- To provide the above services within a commercially-oriented framework directed toward achieving and maintaining financial self-sufficiency at the least cost to the user.
- To be responsive to the Government's environmental, social and economic policies.

POWERS

To carry out its responsibilities the Authority has made regulations, approved by Order-in-Council, pursuant to the *Pilotage Act* for:

1. The establishment of compulsory pilotage areas.
2. The prescription of the ships or classes of ships subject to compulsory pilotage.
3. The prescription of the classes of pilot licenses and classes of pilotage certificates that may be issued.
4. The prescription of the tariffs of pilotage charges to be paid to the Authority for pilotage services.

In addition, the Authority is empowered by the *Pilotage Act* to:

1. Employ such officers and employees, including licensed pilots, as required.
2. Contract with a body corporate for the services of licensed pilots.
3. Make by-laws respecting the management of its internal affairs.
4. Purchase, lease or otherwise acquire land, buildings, pilot boats and such other equipment and assets as may be required and to dispose of any such assets acquired.
5. Borrow money for the purpose of defraying the expenses of the Authority.
6. With the approval of the Minister of Finance invest any money not immediately required for the purposes of the Authority in bonds or other obligations guaranteed by Her Majesty in right of Canada.

VISION STATEMENT

"To be the global leader in providing safe and efficient marine pilotage services."

MISSION STATEMENT

"Working in partnership with our key stakeholders, we provide professional, progressive and reliable marine pilotage services that are safe, environmentally sensitive, efficient and economical."

DESCRIPTION OF THE OPERATIONS

The Authority operates in the interest of safety, a marine pilotage service in all Canadian waters in the Provinces of Ontario, Manitoba and in Quebec south of the northern entrance to the St. Lambert Lock.

Services are provided through the performance of pilotage assignments on those vessels entering the region which are subject to compulsory pilotage by pilots employed by the Authority, using pilot boats contracted by the Authority and dispatch services, both controlled through its Pilotage Headquarters in Cornwall, Ontario.

The Authority must co-ordinate its efforts and operations with a number of other organizations such as The St. Lawrence Seaway Management Corporation and the United States Seaway Development Corporation, who operate the lock facilities and maintain traffic control systems within the Region; the Canadian Coast Guard, who provide aids to navigation and the United States Coast Guard, who are responsible for the United States pilotage matters in international waters.

The Great Lakes Pilotage region is divided as follows:

- Cornwall District
- International District No. 1
- Lake Ontario
- International District No. 2 (including the Welland Canal)
- International District No. 3 (including Lakes Huron, Michigan and Superior)
- The Port of Churchill, Manitoba

CORPORATE GOVERNANCE

The Authority's approach to Corporate Governance is fully consistent with the philosophy and objectives of the Department of Finance and the Treasury Board's Guidelines for Crown Corporations.

Role of the Chair

On the recommendation of the Minister of Transport, the Chair is appointed by the Governor in Council. The Chair presides at all meetings of the Board of Directors, provides leadership and guidance to the CEO of the Authority and on behalf of the Board, advises the Minister of Transport on all issues involving the Authority and Pilotage in the Great Lakes.

Role of the Board of Directors

Corporate Governance at Great Lakes Pilotage Authority is the responsibility of the Board of Directors. The Board's role is to guide and supervise the affairs of the entity on behalf of the Government of Canada, by whom the Directors are appointed.

The Board is composed of the Chair and up to six other members chosen to ensure that an appropriate mix of expertise, experience and marine perspective is reflected in its decision-making. The Chairperson position is currently vacant and one member's term has expired and is awaiting to be replaced. The specific function of the Board includes reviewing and recommending to the Minister of Transport, Great Lakes Pilotage Authority's policies, corporate plan, capital and operating budgets. The Board takes an active role and approves the Authority's Strategic and Corporate Plans. The Board prepares annually a Performance Agreement with the CEO detailing all objectives and goals expected to be met during the operating year. At year end the Board undertakes an exhaustive performance evaluation of the CEO to determine the status of all objectives so as to assess the performance of the CEO and the Authority. It also reviews and approves all major contracts, operational plans, financial statements, the auditor's report and the annual report. The Board ensures that the Authority maintains the highest standards in operating a safe, efficient and cost effective pilotage service.

Role of the Audit Committee

The Audit Committee is a standing committee of the Authority's Board and represents the engine of the Authority as it will improve the quality of the financial reporting, ensure the key risks are identified and managed, enable the directors to contribute their independent judgement, create a climate of discipline and control that will reduce the opportunity for fraud and increase stakeholder confidence in the credibility and objectivity of corporate performance.

The committee has the authority to investigate any activity of the Authority. The committee ensures the financial oversight and the oversight of the corporate books, records, general and management control and information system and management practices.

Role of the Governance and Human Resources Committee

The Governance and Human Resources Committee is a standing committee of the Authority's Board that is responsible to oversee the governance and human resources issues of the Authority. The mandate of the committee is to review and update the Authority's succession plan, Board member appointment and renewals and review and update the Authority's By-Laws and Directives.

The committee ensures good corporate governance and implements best practices in discharging its responsibilities.

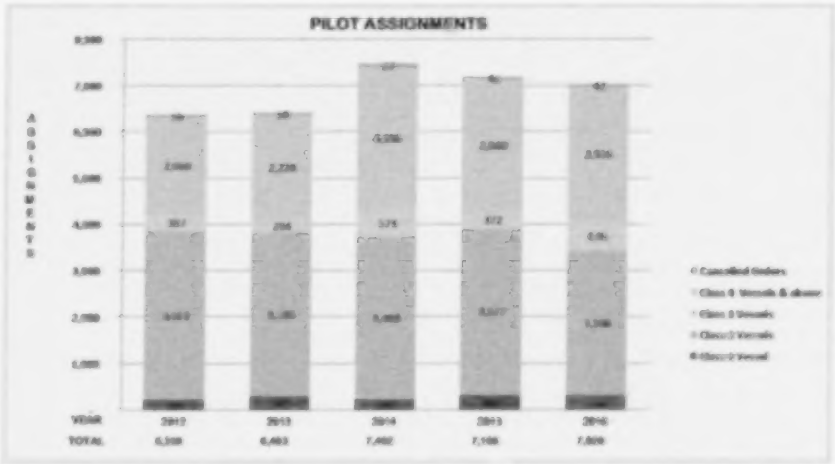
Role of the Chief Executive Officer

A Chief Executive Officer is appointed by the members of the Board of Directors pursuant to section 13. (1.1) of the *Pilotage Act*. The remuneration of the CEO is fixed by an Order in Council. The CEO has the responsibility to plan, organize, direct and control the business of the Authority and reports to the Chair and the Board of Directors.

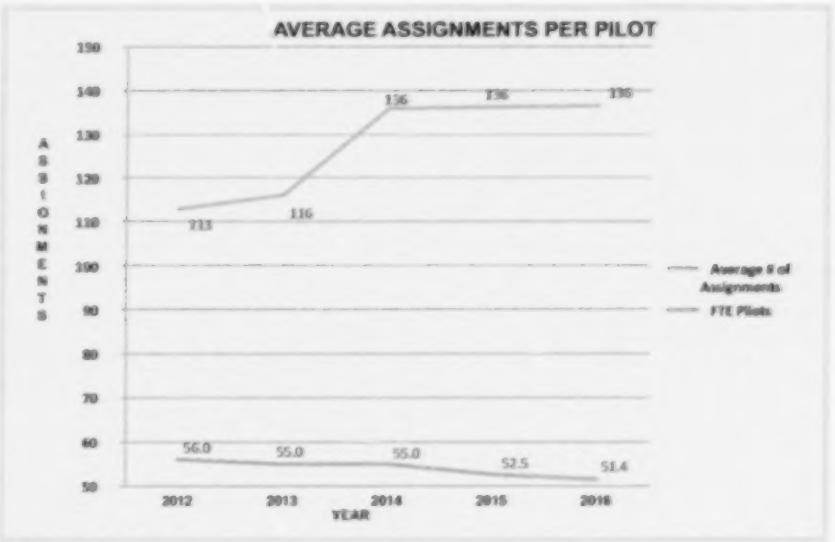
This is a review of the Great Lakes Pilotage Authority's operations, performance and financial position for the year ended December 31, 2016, with comparative figures.

Traffic

The 7,020 pilotage assignments serviced in 2016 decreased by 2% in comparison to the 2015 assignments (7,166) but was 5% higher than the budgeted assignments (6,700). The higher traffic than budgeted was driven by the slight economic improvements in the North American economy as well as the strong movement of the 2016 Western Canadian grain crop to export markets overseas. Although the traffic levels are fairly consistent with 2015 levels, the Authority saw a similar assignment profile of large vessels as in 2014 when grain crop exports were also high. In 2016, the large vessels, class 3 and 4 which are the largest ships that can navigate in the Seaway locks, accounted for 51% of total assignments as compared to 45% in 2015.



As a result, the pilots once again maintained 136 assignments on average, which is similar to 2014 and 2015. The current workload that the pilots have serviced in the last three years exceeds a reasonable number that the Authority can support without risk of pilot fatigue and possible safety concerns. The Authority has been actively hiring and training apprentice pilots to improve the current situation, as evidenced with 9 pilots being licensed in 2016.

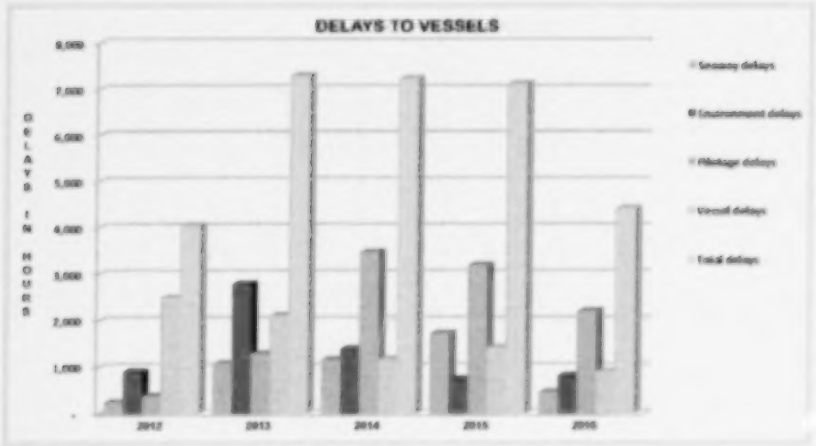


Service Levels

The Authority has employee pilots who work under collective agreements which dictate scheduling and call backs when traffic increases during peak periods. The Authority staffs at levels which would allow them to be able to meet peak traffic, but not for an extended period of time. The Authority needs to carefully review its pilot numbers as an excessive work force with fixed remuneration will lead to significant financial losses when demand is low. Delays to shipping are very costly to the users and are closely monitored in order to measure performance.

Total delays in 2016 to ships requiring pilots in the Great Lakes were 4,415 hours, of which 50% or 2,206 hours were directly attributable to a shortage of pilots. In 2015, the total delays were 7,110 hours of which 45% or 3,199 hours were attributable to a shortage of pilots. Thus, pilotage delays decreased 31% when compared to the prior year. Delays due to shortages of pilots experienced in 2016 were partly attributable to the increase in surges of traffic, being a 5% increase in comparison to the budget which determined the pilot numbers for 2016.

Delays to Vessels



Marine Incidents

Navigational safety in the Great Lakes is the primary objective of the Authority and its pilotage system. The Authority reviews, on an annual basis, all marine incidents in the Great Lakes for Canadian officers and Canadian pilots. The Authority has no jurisdiction over American officers and pilots sailing those waters, therefore no statistics are kept for those groups. The total number of marine incidents for Canadian pilots this year was 3, which is a reduction from the 9 reported in 2015.

Following the review of incidents for 2016, there were no major incidents requiring separate disclosure. None of the incidents resulted in the loss of life, serious injuries, or any environmental spills.

The Authority is regularly reviewing measures with its pilot training committee to address past incidents as to recreate similar situations in simulation, thus allowing pilots to practice on these and other emergency manoeuvers during their winter training.

Comparative Chart – Number of Marine Incidents by Type

INCIDENT	2016	2015	2014	2013	2012
Collision	-	1	-	-	-
Foundering	-	-	-	-	-
Fire/Explosion	-	-	-	-	-
Grounding	-	4	4	-	-
Striking	-	1	2	-	-
Contact	2	3	8	9	3
Touching Bank/Bottom	1	-	2	-	3
Ice Damage	-	-	-	-	-
Ship Arrestor	-	-	-	-	-
TOTAL	3	9	16	9	6
Percentage of Incident Free Assignments	99.9%	99.9%	99.8%	99.9%	99.9%

2016 Synopsis

As depicted in the above statistical table, there is no special trend in the 2016 incidents.

Canadian Environmental Assessment Act (2012)

In compliance with section 71 of the *Canadian Environmental Assessment Act 2012 (CEAA 2012)*, the Authority is pleased to confirm that there were no significant activities to be reported.

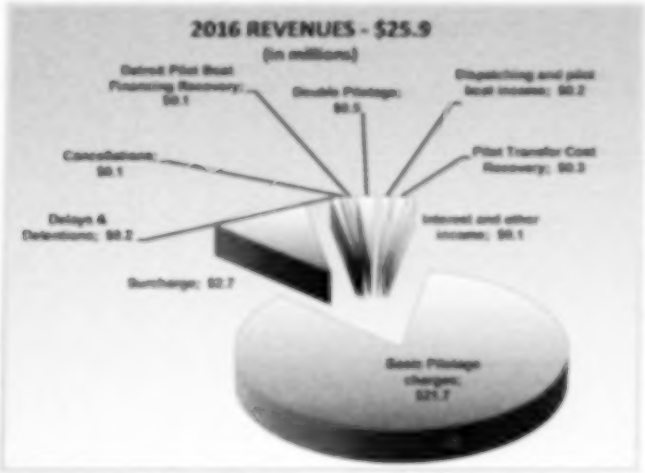
Qualified Licensed Pilots

The Authority licensed 9 pilots in 2016 following their successful completion of the apprentice pilot training program; as compared to the 2 in 2015. As at December 31, 2016, 5 apprentice pilots are progressing with their training program. Four (4) are expected to be licensed in the spring 2017 with the last apprentice expected to be licensed in the fall 2017. As traffic is predicted to be at levels similar to those experienced in the last 3 years and coupled with the anticipated higher than historical average number of pilot retirements, the Authority will need to recruit and train 9 apprentice pilots during the 2017 navigation season to increase its pilot numbers to properly service its customers.

FINANCIAL OVERVIEW

The purpose of this analysis is to facilitate the understanding of the financial statements presented in the following pages and to explain variations between the 2016 results and the results of the previous year.

For 2016 the Authority recorded revenues of $25.9 million and a net loss of $0.8 million, resulting in an accumulated deficit of $1.6 million. The 2016 operation loss is mainly attributable to the need to recruit and train apprentice pilots, as well as higher pilot compensation for the unbudgeted 5% increase in traffic serviced by the existing pool of pilots and also to reduce the vessel delays due to a shortage of pilots.



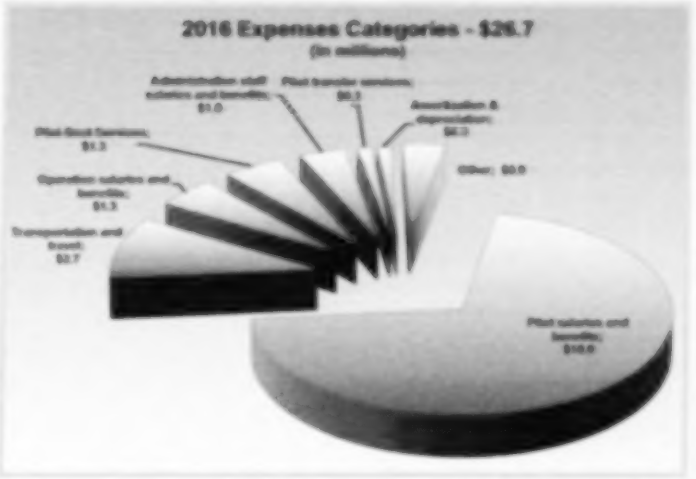
Revenues

For 2016 the Authority recorded revenues of $25.9 million, an increase of $0.3 million compared to 2015. The increases in the Authority's revenues are mainly driven by a $0.8 million increase in basic pilotage charges due in part to the 1.5% increase in general tariffs, incremental revenue in District No. 3, and the 6% increase in large vessels, as well as $0.2 million due to the introduction of the pilot transfer cost recovery tariff in 2016. These increases are offset by the $(0.7) million decrease in double pilotage.

Expenses

For 2016, the Authority recorded expenses of $26.7 million, an increase of $0.8 million when compared to 2015. The majority of the Authority's expenses are pilot wages and benefits as well as pilot travel costs and pilot boat services, both directly associated to servicing vessels, and thus, increases with higher assignment demands.

Pilot wages and benefits increased $0.9 million when compared to 2015. These increases were driven by $0.8 million of additional apprentice pilot wages and benefits and $0.1 million in benefits due to the higher pension costs. Pilot overtime remained flat to 2015 even with a 2% reduction in assignments due to the Authority's focus on reducing vessel delays.



Cash Flow

The Authority has a $3 million line of credit but did not need to access any of the available funds in 2016, similar to 2015.

As of December 31, 2016, the Authority had a cash balance of $6.4 million ($5.1 million as at December 31, 2015) and $0.5 million in working capital ($1.5 million in 2015). The Authority had short term investments of $0.7 million ($2.1 million in 2015) and no long term investments ($0.3 million in 2015).

GOVERNANCE REVIEW

Collective Agreement Renewal

The Authority's pilots and operation staff are represented by bargaining units. The administrative and dispatching staff are represented by The Public Service Alliance of Canada. The collective agreement which had been renewed in 2013 expired on June 30, 2016.

All pilots are members of The Canadian Merchant Service Guild and saw their collective agreements renewed in 2012 and 2013. These four collective agreements expire March 31, 2017.

Enterprise Risk Management

An Enterprise Risk Management (ERM) program has been incorporated as part of the Authority's strategies to manage its risks and to seize opportunities in achieving its objectives. Every year, the Board periodically reviews the risk register with a view to update the risk assessments and ensure appropriate mitigating controls are in place. Every second year, the Authority's Board of Directors and Senior Management engage in a two-day strategic planning session to established its strategic direction for the following two years. At its April 2015 planning session, the Board identified and prioritized the following risk profiles and has developed mitigation measures.

Risk Table

Priority	Risk Title	Category	Likelihood	Impact	Risk Rating
1	Traffic Volatility	Financial	EXTREME	EXTREME	EXTREME
2	Pilot Succession	Organizational	VERY HIGH	HIGH	VERY HIGH
3	Pilot Labour Relations	Organizational	VERY HIGH	HIGH	VERY HIGH
4	Recruiting and Training Pilots	Strategic	HIGH	HIGH	HIGH
5	Marine Incidents	Incident	MEDIUM	VERY HIGH	HIGH
6	Financial Risk/Stability and Tariff Objections	Financial	MEDIUM	HIGH	MEDIUM
7	Security/Business Continuity	Operational	LOW	VERY HIGH	MEDIUM
8	U.S. Pilotage Concerns	External	HIGH	MEDIUM	MEDIUM
9	Pilotage Certification	Operational	MEDIUM	HIGH	MEDIUM

In 2016, the Authority continued to review its Internal Audit Plan, which addresses the Authority's risk areas. The Authority opted to focus its resources on a cybersecurity assessment. External vulnerability scans did not detect any issues. However, recommendations were made to mitigate internal vulnerabilities and to strengthen security policies. Following these results, the Authority has been working on implementing the recommendations by the end of the second quarter in 2017.

Special Examination – Auditor General of Canada

In 2008, as required by Part X of the *Financial Administration Act* (FAA), the Auditor General of Canada carried out a Special Examination of the financial and management controls and information systems and management practices maintained by the Great Lakes Pilotage Authority. The Authority is required by paragraphs 131 (1) (b) and 131 (2) (a) and (c) of the FAA to maintain these systems and practices in a manner that will provide reasonable assurance that the following requirements are met:

- the assets of the Authority are safeguarded and controlled;
- the financial, human and physical resources of the Authority are managed economically and efficiently; and
- the operations of the Authority are carried out effectively.

GOVERNANCE REVIEW (cont'd)

The Auditor General of Canada presented on April 11, 2008 its report to the Board of Directors of the Authority stating that there is reasonable assurance that there were no significant deficiencies in the systems and practices they examined, except for the significant deficiency relating to the system of exempting Canadian ships from compulsory pilotage in the Great Lakes. With the cooperation, input and consultation with the Canadian domestic shipowners and the support from Transport Canada – Marine Safety, the deficiency was addressed in 2013 with the introduction of a Pilotage Certification system which meets the requirements of the *Pilotage Act* and is based on examinations and approved Pilotage Certificate Training Programs.

The Office of the Auditor General started the planning of the 2017 Special Examination in July 2016. The final report is expected to be presented to the Board of Directors in November 2017.

ACCESS TO INFORMATION

The Authority believes that openness and transparency are the building blocks in building a relationship of trust with its customers, partners and all other stakeholders. Our objective is to respond promptly, and with transparency, to all information requests from the public, the media and all those interested in the Authority's operations.

The Authority submitted its 2015-2016 annual reports on Access to Information and Privacy in the spring 2016, respectively, to the Access to Information Commissioner and the Privacy Commissioner, as well as the Minister of Transport.

In calendar year 2016, the Authority received 2 new requests under the Access to Information Act and the Privacy Act. This compared to 1 valid request received in calendar year 2015. Only 1 request is outstanding as at December 31, 2016 which will be responded to in Q1 2017.

The Authority has complied with the Federal Government to post the responses to requests it received under the *Access to Information Act* on their website http: open.canada.ca/en.

2016 TRAVEL, HOSPITALITY AND CONFERENCE EXPENSES

The following travel, hospitality and conference expenses were submitted during 2016:

Douglas Smith - Chair of the board (term expired March 2016)	$1,639
Danièle Dion - Acting Chair of the Board	$3,328
Robert Lemire - Chief Executive Officer	$66,863
Board of Directors (5 members)	$26,527
TOTAL	**$98,357**

2016 STRATEGIC OBJECTIVES AND ACHIEVEMENTS

FINANCE	
OBJECTIVE	**PERFORMANCE**
• Continue focus on improving the Authority's financial self-sufficiency profile.	• The Authority has consulted with the industry and is in the process of amending its 2017 tariffs as to allow it to finance the incremental apprentice pilot training costs due to high levels of pilot retirements and the need to increase pilot numbers for the normalized higher traffic.
• Eliminate its existing accumulated deficit of $0.8 million by the end of 2017.	• Generated a loss of $0.8 million in 2016 resulting in an accumulated loss of $1.6 million. *Refer to the Financial Overview section for additional comments.*
• Develop a strategy for the eventual elimination of the tariff surcharge as well as a financial reserve strategy.	• The Authority continues its open and transparent discussions with the industry of its financial results and challenges. It is an ongoing process for the next 5 years.

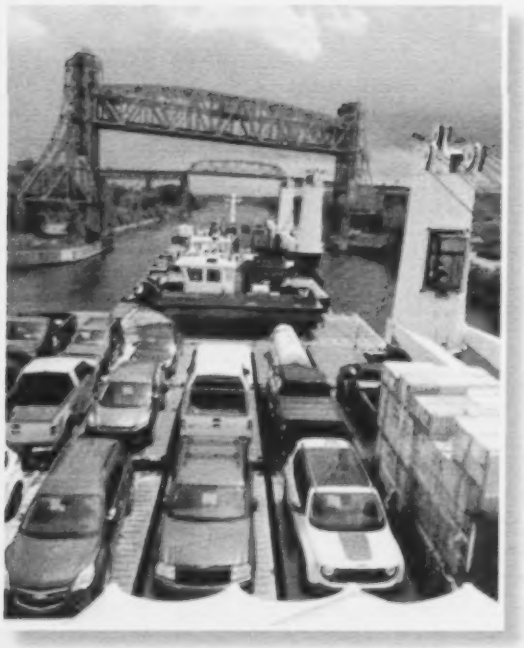
HUMAN RESOURCES	
OBJECTIVE	**PERFORMANCE**
• Recruit and train apprentice pilots as per the Authority's pilot succession plan.	• 3 apprentice pilots from 2015 and 11 new apprentice pilots in 2016 continued or started their training programs in 2016, of which 9 were licensed in 2016 and the 5 to be licensed in 2017. • The recruitment process to hire 6 apprentice pilots started in November 2016. The objective is for the training to start at the beginning of the 2017 navigation season.
• Continue to give high priority to pilot training and evaluation by monitoring the changing operating environment and assessing the impact on training requirements.	• 14 pilots and 3 apprentice pilots completed the annual simulator training program, which represents approx. 26% of pilots. All pilots were evaluated by their peers and the Director of Operations. • The Director of Operations has reviewed the incident reports and leveraged pilotage issues in other regions as to bring modifications to the 2017 training program.
• Promote the awareness of the importance of early retirement notification for succession planning purposes.	• In the summer 2016, all employees were surveyed on potential retirement plans for the next 5 years. • The results provided valuable insight into the need for recruiting of apprentice pilots as well as part-time pilot requirements. • With the 6 retirement notices received in 2016, 4 pilots provided a minimum 6 month advanced notice.
• Implement action plans following the results of the employee engagement survey.	• Employee engagement survey results communicated to all employees. • Management has developed action plans to address key dissatisfiers. Management's focus has been on improvement of the timeliness and quality of communication to be more inclusive and transparent with all employees.
• Initiate the development of an employee portal.	• Work started in Q4 2016 with a go-live date expected for the start of the 2017 navigation season.

GOVERNANCE	
OBJECTIVE	**PERFORMANCE**
• Recruit new Board members following 2 term expiration.	• The Authority has provided the Governor in Council with all revisions to the Notice of Appointment Opportunity for the Chair position and the member position. • The Governor in Council posted the Notice of Appointment Opportunity for the Chairperson on the Privy Council Office appointment website on December 28, 2016 with posting close date of February 19, 2017.
• Continue with professional development initiatives for Board members	• Cyber Security training was provided to the Board in Q3. • Board Conflict of Interest and Code of Conduct training was planned for Q4 but was rescheduled for Q1 2017.
• Review and develop policies	• 7 Authority directives were revised in 2016. • 4 new directives were finalized in 2016 – *Drug and Alcohol; Information System Security; Password Protection; and Mobile Devices and Remote Access.* • Updated the *Workplace Health and Safety Committee Charter.*
• Formalize the Authority's Business Continuity Plan	• The Authority drafted a Business Continuity Plan with the first review by the Governance Committee. The finalized version for Board approval is expected to be in February 2017.
• Comply with all Government policies	• Under directive (P.C. 2015-1114) pursuant to section 89 of the *Financial Administration Act* the Authority was instructed to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments. The Authority compared and revised its directive on travel expenses with the Treasury Board directives and related instruments on travel, hospitality, conference and event expenditures. As a result of this exercise, the Authority confirms that the requirements of the instruction have been met. • The Authority complied with the *Federal Identity Program, the Access to Information Act, Privacy Act, Official Languages Act and the Employment Equity* legislation requirements. • The Authority also followed all the regulations listed in the FAA *and the Regulations* governing Crown Corporations.

OPERATIONS	
OBJECTIVE	**PERFORMANCE**
• Reduce vessel delays caused by shortage of pilots.	• Vessel delays caused by a shortage of pilots were 2,206 hours in comparison of 3,199 in 2015. *Refer to the Management Discussion and Analysis, Service Level section for additional comments.*
• Continue to be vigilant in monitoring all transits and report deficiencies as well as communicate issues to pilots as to achieve a 100% assignment incident free performance.	• There were 3 incidents reported in 2016 for a 99.9% incident free rate. • The Director of Operations continues to review all incidents and debriefs the pilots with all pertinent information as to safety considerations. • The Pilot Quality Assurance program is revised on an annual basis following the incident assessments.
• Monitor the apprentice pilot training program.	• Following the updated Apprentice Pilot Training Program manual in 2015, including the introduction of a Simulator Training Module, management, pilots and apprentice pilots continue to assess the relevance of the training program and make training adjustments as needed. Nothing was identified in 2016. • All apprentice pilots continue to benefit from the simulator training where they are able to practice various scenarios in ports not frequently visited and practice scenarios in case of emergency situations in their particular district and acquire additional manoeuvering skills.
• Implement the passage plan program as to meet Transportation Safety Board's requirements.	• The Operations management and pilots jointly developed the Introduction to the passage plans and the passage plans of the Great Lakes Region. All districts' passage plans have been completed in 2016. The complete Great Lakes Region passage plans are due to be available for the start of the 2017 navigation season. • The operations management and pilots jointly created a Pilot – Master Exchange information card. These cards will be used for the start of the 2017 navigation season.
• Review the *Great Lakes Pilotage Regulations* to provide more clarity for all stakeholders.	• Meetings were held with the Authority pilots, representatives from the CMPA and representatives from the Chamber of Marine Commerce (formerly the Canadian Shipowners Association). • Further meetings will take place in early 2017 with key stakeholders to resolve the outstanding issue. • Meetings will be planned in 2017 with all stakeholders to discuss the proposed amendments. • The Authority will initiate the Regulation amendments process with the Federal Government in 2017.

PILOTAGE CERTIFICATION	
OBJECTIVE	**PERFORMANCE**
• Initiate the new record of transits in the Great Lakes Region for Pilotage Certificate holders.	• The monitoring process started in April 2016 and has been in force for the entire navigation season. The Chamber of Marine Commerce have been supportive.
• Audit and approve Great Lakes Marine Pilotage Certificate Training Programs.	• The Authority provisionally approved 2 GLPA training programs and granted 1 final approval. The Authority received and reviewed 2 submissions in 2016 and issued 1 verification letter for required modifications.
• Review and update the Pilotage Certificate document.	• This review is still on hold awaiting the review and amendments to the Great Lakes Pilotage Regulations as the contents of the pilotage certificate are to comply with the new proposed amendments to the regulations.
STAKEHOLDER RELATIONS	
• Continue to implement action plans resulting from the 2015 customer satisfaction survey as well as monitor the progress in meeting the customers' expectations.	• The Authority developed action plans surrounding the following themes: - Improving communication - More user friendly website - Customer focus from employees - Improve relations with agents • The Authority continues to work on improving the quality and timeliness of communications with its stakeholders and being more inclusive of stakeholder feedback in its decision making process. •The Authority has been working on revamping its website to be more user friendly. The Authority is planning to have the new website format in place for the beginning of the 2017 navigation season.
TECHNOLOGY	
• Plan and initiate the migration of its dispatching and billing system to the new platform as to achieve a go-live implementation for the beginning of the 2017 navigation season.	• The development and configuration of the new system were initiated in 2016. The Authority has been in the testing phase since November 2016. • The Authority is on schedule to have the system operational for the start of the 2017 navigation season.
• Initiative an open and competitive procurement process for the replacement of its portable pilotage units.	• The Authority completed a Request For Expression of Interest followed by a Request For Proposal. • The Authority's pilots tested various units for 4 months. • Contracts were awarded in November 2016; pilot training scheduled for March 2017; implementation for the start of the 2017 navigation season.
• Develop a strategy to identify and review its exposure and vulnerability to cyber threats and minimize intrusions.	• The Authority had an external party complete a cybersecurity assessment. • The external vulnerability scans did not detect any issues. • The Authority started to strengthen security policies in response to the internal vulnerabilities identified.

LOOKING FORWARD – 2017 AND BEYOND



Preparations are underway for 2017 and future years to ensure the Authority fulfills its mandate to establish, operate, maintain and administer a safe and efficient pilotage service in a self-sustaining financial manner.

Finance

With the 2016 operational loss, the Authority's primary financial objective remains to eliminate its existing accumulated deficit and to do so by the end of fiscal 2019 and to be financially self-sufficient on a going forward basis.

In consultation with its main stakeholders, the Authority started the tariff regulation amendment process to modify its tariff rates for 2017. The proposed changes would result in a 3.0% increase in the net tariff as well as the introduction of a 5.0% surcharge for apprentice pilot training. In consultation with the industry, there were no indications of objections and is expected to obtain final approval in the first half of 2017.

Human Resources

As all 5 collective agreements are or will have expired by March 31, 2017, the Authority will be developing strategies to negotiate with all employee groups as to respect the Government's expectation of a Crown corporation.

With an important number of pilot retirements expected to continue in 2017 as well as the Authority's objective to reduce the number of vessel delays due to shortage of pilots, the Authority is to successfully recruit and train 6 new apprentice-pilots in 2017.

The Authority will continue to execute its action plans in response to the employee engagement survey feedback and will continually monitor its performance on improving its employees' work experience at the Great Lakes Pilotage Authority.

Governance

The Authority will continue to provide assistance to the Governor in Council on the identification, selection and appointment of qualified Board members that meet the member profile which complements and enhances the current Board composition.

Stakeholder Relations

The Authority's objective is to maximize the efficiency of the pilotage system by being attentive to its customers' business needs in a joint effort to ensure a profitable and efficient pilotage service within the Great Lakes region for commercial vessels.

The Authority will continue to execute its actions plans in response to the customer satisfaction survey results and will continually monitor the progress in meeting the customers' expectations.

Operations

The Authority will continue with its advancement in amending the *Great Lakes Pilotage Regulations* to align with its mandate to provide economic, safe, reliable and comprehensive marine pilotage and related services.

The Authority continues to invest in its Long Term Training Program for its pilots. One of the focuses continues to be on Bridge Resource Management, enabling pilots to work more effectively and efficiently as to further reduce the risks of errors on the navigation bridge when pilots and captains of vessels navigate the restricted waters of the St. Lawrence River and the Great Lakes.

The Authority will continue to monitor its practices to optimize its pool of pilots as to improve the service levels and reduce the delays caused by a shortage of pilots. The planned increase in the pilot numbers for 2017 and ongoing years to better align with the higher traffic experienced in the last few years is believed to positively enhance the Authority's ability to better align with the industry's service level expectations.

Technology

The Authority will invest a total of $0.3 million to modernize its dispatch and billing system with an implementation date scheduled for the start of the 2017 navigation season. The objective for 2017 is to ensure all dispatchers, pilots, staff, and customers are trained and efficiently utilizing the system to its full potential.

The Authority will also invest approximately $0.6 million to replace its Portable Pilotage Units (PPU). Implementation is scheduled for the start of the 2017 navigation season. The objective for 2017 is to ensure all pilots are trained and efficiently utilizing the PPUs.

OPERATING SUMMARY - ACTUALS

	BUDGET 2017	2016	2015	2014	2013	2012
FINANCIAL RESULTS (in millions)						
Revenue	$ 27.3	$ 25,9	$ 25.5	$ 26.6	$ 22.2	$ 20.5
Operating Costs	26.8	26.7	25.9	25.3	21.3	20.1
Comprehensive Income (Loss)	$ 0.5	$ (0.8)	$ (0.4)	$ 1.3	$ 0.9	$ 0.4
AVERAGE HUMAN RESOURCES (Full Time Equivalent)						
Administrative	10.5	11.0	11.0	10.0	9.5	9.5
Pilots	57.3	51.4	52.5	54.5	56.0	56.0
Apprentice Pilots	5.7	8.1	3.5	1.5	0.0	0.0
Dispatchers	9.0	9.0	9.0	9.0	9.0	8.5
TOTAL	82.5	79.5	76.0	75.0	74.5	74.0
PILOT ASSIGNMENTS						
Actual	-	7,020	7,166	7,462	6,403	6,358
Planned	7,000	6,700	6,531	6,100	6,100	6,100
INCIDENT FREE ASSIGNMENTS						
Number	6,992	7,017	7,157	7,446	6,394	6,352
Percentage	99.9%	99.9%	99.9%	99.8%	99.9%	99.9%
AVERAGE COST OF PERFORMING AN ASSIGNMENT						
Amount	$3,827	$3,809	$3,615	$3,386	$3,330	$3,174

MANAGEMENT REPORT

The management of the Authority is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and for all other information presented in the annual report. This responsibility includes the selection of appropriate accounting principles and the exercise of careful judgment in establishing reasonable estimates. Financial information shown elsewhere in this annual report is consistent with that contained in the financial statements.

Management maintains books of account, financial and management control, and information systems, together with management practices designed to provide reasonable assurance that reliable and relevant information is available on a timely basis. These systems and practices provide reasonable assurance that assets are safeguarded and controlled, that resources are managed economically and efficiently in the attainment of corporate objectives, and that operations are carried out effectively. These systems and practices are also designed to provide reasonable assurance that the transactions are in accordance with section 89 and Part X of the *Financial Administration Act* and regulations, *the Pilotage Act* and regulations and the by-laws of the Authority.

The Board of Directors is comprised of Directors who are not employees of the Authority. The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Audit Committee oversees the entity's systems of internal accounting and administration control. The Committee meets with management and the auditors to satisfy itself that responsibilities are properly discharged and to review the financial statements. The financial statements and annual report are reviewed and approved by the Board of Directors on the recommendation of the Audit Committee.

The external auditor, the Auditor General of Canada, is appointed under the *Pilotage Act* and has audited the financial statements in accordance with Canadian generally accepted auditing standards. His report outlines the nature of the audit and expresses his opinion on the financial statements of the entity.

R.F. Lemire, CPA, CA
Chief Executive Officer

S.J.F. Bissonnette, CPA, CA
Chief Financial Officer

Cornwall, Ontario
February 23, 2017

Office of the Auditor General of Canada

Bureau du vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Transport

Report on the Financial Statements

I have audited the accompanying financial statements of the Great Lakes Pilotage Authority, which comprise the statement of financial position as at 31 December 2016, and the statement of operations and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Great Lakes Pilotage Authority as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act*, I report that, in my opinion, the accounting principles in International Financial Reporting Standards have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Great Lakes Pilotage Authority that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Pilotage Act* and regulations, the by-laws of the Great Lakes Pilotage Authority, and the directive issued pursuant to section 89 of the *Financial Administration Act*.

Tina Swiderski, CPA auditor, CA
Principal
for the Auditor General of Canada

23 February 2017
Montréal, Canada

Statement of Financial Position
(In Canadian dollars)

	December 31 2016	December 31 2015
ASSETS		
Current		
Cash and cash equivalents	$ 6,398,201	$ 5,082,501
Investments (Note 10)	696,932	2,097,285
Accounts receivable	3,650,082	3,064,070
Prepaids	18,496	40,123
	10,763,711	10,283,979
Non-current		
Long term investments (Note 10)	-	344,963
Property and equipment (Note 7)	427,217	355,890
Intangible assets (Note 8)	166,807	225,389
	$11,357,735	$11,210,221
LIABILITIES		
Current		
Accrued salaries and benefits	$ 9,213,079	$ 7,857,234
Other accounts payable and accrued charges	560,121	590,948
Employee benefits (Note 13)	507,100	326,300
	10,280,300	8,774,482
Non-current		
Deferred lease inducements (Note 11)	54,606	62,406
Employee benefits (Note 13)	2,656,500	3,152,900
	12,991,406	11,989,788
EQUITY		
Accumulated deficit	(1,633,671)	(779,567)
	$11,357,735	$11,210,221
Commitments (Note 16)		

The accompanying notes are an integral part of these financial statements.

Approved by the Board of Directors and authorized for issue on February 23, 2017.

R. F. Lemire
Chief Executive Officer

T. Geddes
Director

Statement of Operations and Comprehensive Income
for the year ended December 31
(In Canadian dollars)

	2016	2015
Revenues		
Pilotage charges	$25,651,795	$25,055,822
Dispatching and pilot boat income	185,616	303,974
Interest and other income	50,261	194,151
	25,887,672	25,553,947
Expenses		
Pilots' salaries and benefits	18,911,742	18,131,296
Transportation and travel	2,713,609	2,583,685
Operation staff salaries and benefits	1,298,753	1,364,995
Pilot boat services	1,277,122	1,355,413
Administration staff salaries and benefits	959,650	970,813
Pilot Transfer Services	295,320	244,320
Amortization and depreciation	256,314	244,815
Pilot training and recruiting costs	249,516	142,864
Utilities, materials and supplies	170,835	157,802
Professional and special services	158,884	355,967
Pilot laptop and navigation software	115,332	115,836
Communications	101,592	89,737
Rentals	90,586	91,826
Purchased dispatching services	61,597	69,415
Repairs and maintenance	31,622	46,980
Interest and bank charges	22,902	17,045
	26,715,376	25,982,809
Profit (loss) for the year	(827,704)	(428,862)
Other comprehensive income		
Items that will not be reclassified to net results		
Actuarial gain (loss) on employee benefits (Note 13)	(26,400)	77,200
	(26,400)	77,200
Comprehensive income for the year	$ (854,104)	$ (351,662)

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Equity for the year ended December 31
(In Canadian dollars)

	2016	2015
Accumulated deficit, beginning of year	$ (779,567)	$ (427,905)
Profit (loss) for the year	(827,704)	(428,862)
Other comprehensive income (loss) for the year	(26,400)	77,200
Total comprehensive income (loss) for the year	(854,104)	(351,662)
Accumulated deficit, end of year	$ (1,633,671)	$ (779,567)

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows for the year ended December 31
(In Canadian dollars)

	2016	2015
Operating activities		
Profit (loss) for the year	$ (827,704)	$ (428,862)
Adjustments to determine net cash (used in) provided by operating activities:		
Employee benefits	(342,000)	(21,400)
Amortization and depreciation	256,314	244,815
Amortization of deferred leasehold inducements	(7,800)	(7,801)
Changes in non-cash working capital items:		
Decrease (increase) in accounts receivable	(586,012)	1,457,238
Decrease (increase) in prepaids	21,627	(2,431)
Increase (decrease) in accrued salaries and benefits	1,355,845	(1,094,819)
Increase (decrease) in other accounts payable and accrued charges	(30,827)	(26,907)
Net cash (used in) provided by operating activities	(160,557)	119,833
Investing activities		
Purchase of investments	(2,475,351)	(3,224,852)
Disposal of investments	4,220,667	6,330,702
Acquisition of property and equipment and intangible assets	(269,059)	(241,630)
Net cash (used in) provided by investing activities	1,476,257	2,864,220
Cash and cash equivalents		
Net increase (decrease) in cash during the year	1,315,700	2,984,053
Balance, beginning of year	5,082,501	2,098,448
Balance, end of year	$6,398,201	$5,082,501
Represented by:		
Cash	$5,787,945	$5,082,501
Cash equivalents	610,256	-
Supplemental information		
Interest paid during the year	$ -	$ -

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements
December 31, 2016
(In Canadian dollars)

1. Authority and objectives

The Great Lakes Pilotage Authority, Ltd. (The Authority) was established in February 1972 pursuant to the *Pilotage Act*, incorporated as a limited company in May 1972, and was continued under the *Canada Business Corporations Act*. Until October 1st, 1998, it operated under the name of Great Lakes Pilotage Authority, Ltd. and was a subsidiary of the St. Lawrence Seaway Authority. Pursuant to the *Canada Marine Act*, which received Royal Assent on June 11, 1998, the name of the Authority was changed to Great Lakes Pilotage Authority and the Authority was deemed to have been established under subsection 3(1) of the *Pilotage Act*. The Authority is a Crown corporation listed in Schedule III, Part I of the *Financial Administration Act*.

The objectives of the Authority are to establish, operate, maintain and administer a safe and efficient pilotage service within designated Canadian waters.

In July 2015, the Authority was issued a directive (P.C. 2015-1114) pursuant to section 89 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations, and to report on the implementation of this directive in the Authority's next corporate plan.

The Authority has compared and revised its directive on travel expenses with the Treasury Board directives and related instruments on travel, hospitality, conference and event expenditures. As a result of this exercise, the Authority confirms that the requirements of the directive have been met since March 2016.

The Authority is exempt from any income taxes.

The principal registered address and records office of the Authority are located at 202 Pitt Street, 2nd floor, Cornwall, Ontario.

Regulation of tariff of pilotage charges

The Authority shall, with the approval of the Governor in Council, make regulations prescribing tariffs of pilotage charges to be paid to that Authority. The tariff approval process is set out in the *Pilotage Act*. Consequently, the Authority must first publish the proposed tariff regulation in the *Canada Gazette*. Any person who has reason to believe that a regulation in this proposal is not in the public interest may file a notice of objection, setting out the grounds therefore, with the Canadian Transportation Agency (Agency) within thirty days following publication of the proposed regulation in the *Canada Gazette*. In such a case, the Agency must investigate the proposed regulation as necessary or desirable in the public interest, including the holding of public hearings. Once its investigation is complete, the Agency must make a recommendation within 120 days following the receipt of notices of objection, and the Authority is required to govern itself accordingly. The Agency is an entity related to the Authority as an organization of the federal government.

The tariffs may come into force 30 days after their publication in the *Canada Gazette*. However, where the Agency recommends a pilotage charge that is lower than that fixed by the Authority, the Authority is required to reimburse the difference between this charge and the charge recommended by the Agency, plus interest, to any person who has paid the fixed charge. *The Pilotage Act* stipulates that the Governor in Council may amend or cancel a recommendation of the Canadian Transportation Agency.

The tariffs of pilotage charges must be fair and reasonable, and must enable the Authority to operate on a self-sustaining financial basis. Thus, the tariffs fixed are intended to allow the Authority to recover costs.

2. Basis of presentation

(a) Declaration of conformity

These financial statements, including comparatives, have been prepared in compliance with International Financial Reporting Standards (IFRS). The financial statements were approved by the Board of Directors on February 23, 2017.

(b) Basis of measurement

The financial statements have been prepared at historical cost except for financial assets classified as at fair value through profit and loss, which are measured at fair value.

3. Accounting standards

(a) Issued but not yet effective

IFRS 9 – Financial Instruments - In July 2014, the IASB issued the final version of IFRS 9, bringing together the classification and measurement, impairment and hedge accounting phases of the project to replace IAS 39 - *Financial Instruments: Recognition and Measurement*. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 is to be applied retrospectively for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Authority continues to evaluate the potential impact of IFRS 9 on its financial statements.

IFRS 15 – *Revenue from Contracts with Customers* – In May 2014, the IASB issued IFRS 15 which provides a framework that replaces existing revenue recognition guidance in IFRS. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contact-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 will be applied by GLPA for annual periods beginning on or after January 1, 2018 using one of the following methods: retrospective or modified retrospective with the cumulative effect of initially applying the standard as an adjustment to opening surplus at the date of initial application. Early adoption is permitted. The Authority has assessed this new requirement and has determined that there will be no impact of this standard to its future financial statements.

IFRS 16 – *Leases* – In January 2016, the IASB published a new standard to replace the previous IAS 17 – *Lease*. The new standard requires certain leases to be reported on a company's balance sheet as assets and liabilities, provides more transparency and improves comparability between companies. This standard is applicable retrospectively for periods beginning on or after January 1, 2019, with early application permitted. The Authority does not intend to early adopt IFRS 16. The Authority has assessed this new requirement and has determined that there will be no impact of this standard to its future financial statements.

IAS 7 – *Statement of Cash Flows* – In January 2016, the IASB amended IAS 7, "Statement of Cash Flows". The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. They are effective for annual periods beginning on or after January 1, 2017, with earlier adoption permitted. The Authority continues to evaluate the potential impact of this standard on its financial statements.

IAS 12 – *Income taxes* – In February 2016, the IASB issued amendments to IAS 12, Income Taxes regarding the recognition of deferred tax assets for unrealized losses, effective for annual periods beginning on or after January 1, 2017. Given the Authority is tax exempt, this new requirement does not impact the financial results of the Authority.

(b) Implemented in the year

There were no new standards, amendments or interpretations issued that required mandatory adoption by the Authority in 2016.

4. Significant accounting policies

The significant accounting policies are as follows:

(a) Cash and cash equivalents

Cash equivalents represent short-term readily convertible investments that mature within 3 months and consist of Canadian dollar deposits held by a Canadian chartered bank earning a weighted average interest rate of 1% (2015 - 1%).

(b) Investments

The objective of the Authority's investment policy is to maximize the investment rate of return in a Government of Canada guaranteed bond portfolio.

The Authority has elected to designate all investments as fair value through profit and loss (FVTPL). Consequently, investments are initially recorded at fair value, and subsequently re-measured to fair value at each reporting date. Fair value is based on the quoted price of the securities at the reporting date. Purchases and sales of investments are recognized on a settlement date basis.

Realized gains and losses from the interest received and from sale of investments are recognized in interest and other income in the period realized. Unrealized gains and losses from all other fluctuations in fair value are recognized in interest and other income in the period in which they occur.

(c) Property and equipment

Property and equipment are recorded at cost. Depreciation of property and equipment is calculated on a straight-line basis and is based on the estimated useful lives of the assets as follows:

Asset category	Estimated useful life
Buildings	20 years
Furniture	10 years
Leasehold improvements	shorter of the term of the lease and the useful life of the leasehold improvement
Communication and computer equipment	5 years

Depreciation methods, useful lives and residual values are reviewed at each year end and adjusted for the future. No depreciation is provided for projects in progress.

(d) Intangible asset

Software is recorded at cost. Amortization of software is calculated on a straight-line basis and is based on the estimated useful life of the asset as follows:

Asset category	Estimated useful life
Software	5 years

Amortization methods, useful lives and residual values are reviewed at each year end and adjusted for the future. No amortization is provided for projects in progress.

(e) Pension benefits

Substantially all of the employees of the Authority are covered by the Public Service Pension Plan (the Plan), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Authority to cover current service cost. Pursuant to legislation currently in place, the Authority has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of the Authority.

(f) Severance benefits

Employees are entitled to severance benefits, as provided for under labour contracts and conditions of employment. The cost of the severance benefits earned by employees is determined annually on an actuarial basis using the projected unit credit method prorated with years of credited service and management's best estimate assumptions, such as the discount rate, rate of salary increase, inflation, retirement ages of employees and other factors. The actuarial gain (loss) is recognized in other comprehensive income and cannot be reclassified to profit in the future.

The benefit costs are determined using the cost of employee benefits for the current year's service, the interest cost on the accrued benefit obligation and net actuarial gain or loss for the year. The average remaining service period of the active employees covered by the plan is 7.5 years (December 31, 2015 – 8.0 years). The measurement date is December 31.

(g) Retirees' death benefits

Former employees who retired prior to 1999 have been granted a death benefit. The liability amount for this benefit is determined annually on an actuarial basis using the projected unit credit method. The actuarial gain (loss) is recognized in other comprehensive income and cannot be reclassified to profit in the future.

The annual cost of this benefit comprises the amount of benefits paid in the year plus the change in the actuarial liability during the year, reduced by a retiree contribution. There are 22 (December 31, 2015 - 24) participants in this closed plan with an average age of 86 years (December 31, 2015 – 85) and an average death benefit of $14,500 as of December 31, 2016 and December 31, 2015. There is also a spousal death benefit for 13 (December 31, 2015 – 14) participants at a fixed amount of $2,000 each as of December 31, 2016 and December 31, 2015.

(h) Employee benefits

The Authority's short-term employee benefits which include compensated absences, are evaluated on an undiscounted basis and are expensed as the related services are rendered.

(i) Effects of changes in foreign exchange rate

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the statement of financial position date. Revenues and expenses denominated in foreign currencies are translated into Canadian dollars at monthly average exchange rates. All exchange gains and losses are included under interest and other income in profit and loss for the year.

(j) Revenue recognition

Revenues earned from pilotage charges, dispatching and pilot boat income are recognized as services are rendered. Interest and other income are recognized using the effective interest method as they are earned.

(k) Financial assets

Financial assets are classified or designated into one of four categories:

- Fair value through profit or loss (FVTPL);
- Held-to-maturity (HTM);
- Available for sale (AFS); and,
- Loans and receivables.

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset. The Authority has financial assets in two categories, FVTPL and loans and receivables.

(i) FVTPL financial assets

Financial assets are classified or designated as FVTPL when the financial asset is held for trading or it is designated as FVTPL.

A financial asset is classified or designated as held for trading if:

- It has been acquired principally for the purpose of selling in the near future;
- It is a part of an identified portfolio of financial instruments that the Authority manages and has an actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified or designated as FVTPL are stated at fair value with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset.

Cash, cash equivalents and investments are classified or designated as FVTPL. Measuring these investments at fair value provides better alignment between the accounting results and how the portfolio is managed.

Derivative financial instruments are financial contracts that derive their value from changes in an underlying variable. The Authority does not enter into derivative financial instruments for trading or speculative purposes.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the fair value and subsequently carried at amortized cost using the effective interest method less impairment losses. The impairment loss of receivables is based on a review of all outstanding amounts at period end. Bad debts are written off during the year in which they are identified.

Loans and receivables include accounts receivable. Due to the short-term nature of accounts receivable, their carrying values are deemed to approximate their fair values.

(iii) Effective interest method

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified or designated as FVTPL.

(iv) Impairment of financial assets other than those measured at fair value

Financial assets are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding accounts receivable, is directly reduced by the impairment loss. The carrying amount of accounts receivables is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the resulting carrying amount of the financial asset cannot exceed what its amortized cost would have otherwise been at that date had the previous impairment loss never been recognized in the first place.

(v) Derecognition of financial assets

A financial asset is derecognized when:

- The contractual right to the asset's cash flows expire; or
- If the Authority transfers the financial asset and substantially all risks and rewards of ownership to another entity.

(l) Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. All of the Authority financial liabilities are classified as other financial liabilities.

(i) Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Authority has classified other accounts payable and accrued charges and accrued salaries and benefits as other financial liabilities. Due to the short-term nature of these accounts, their carrying values are deemed to approximate their fair values.

(ii) Derecognition of financial liabilities

The Authority derecognizes financial liabilities when, and only when, the Authority's obligations are discharged, cancelled or they expire.

(m) Exchange of services

Exchanges of services are recorded at the estimated fair value of the goods or services received. Revenues from exchange of services are recognized when the related services are rendered. Expenses resulting from exchange of services are recognized during the period when the related goods or services are provided by third parties.

(n) Lease Payments

All Authority leases and leased assets are not recognized on the statement of financial position since virtually all the risks and benefits associated with ownership of leased assets are not passed to the Authority.

Payments under operating leases are expensed on a straight line over the term of the lease.

5. Critical accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the current and following fiscal year are discussed as follows.

(a) Significant accounting estimates

Significant accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next year.

Employee severance and retirees death benefits

The Authority engaged a third party actuary to assess the fair value of its employee severance benefits and the retirees' death benefit. The Authority assesses these obligations at December 31 each year.

Amortization and Depreciation rates

Refer to Note 4 (c) and 4 (d) for the estimated maximum useful lives of property and equipment and intangible assets.

(b) Significant accounting judgments

Significant accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. Management has not made any significant accounting judgments in the preparation of these financial statements.

6. Financial instruments

Risk management

The Authority, through its financial assets and financial liabilities, is exposed to the following risks from its use of financial instruments: credit risk, liquidity risk, and market risk. The Authority manages these risk exposures on an ongoing basis.

Credit risk

Credit risk on financial instruments arises from the possibility that the issuer of a financial instrument fails to meet its obligation. To manage this risk, the Minister of Finance authorizes the Authority to only invest in bonds or other obligations of or guaranteed by Her Majesty in right of Canada or any province, or any municipality in Canada.

The carrying amount of cash and cash equivalents, current and non-current investments and accounts receivable represents the maximum credit exposure.

The Authority's accounts receivable had a carrying value of $3,650,082 as at December 31, 2016 (December 31, 2015 - $3,064,070). There is no concentration of accounts receivable with any one customer. As at December 31, 2016, 0.0% (December 31, 2015 – 0.8%) of accounts receivable were over 90 days past due, whereas 88% (December 31, 2015 – 90%) were current, or less than 30 days past due. Historically, the Authority has not incurred any significant losses with respect to bad debts. The Authority's allowance for doubtful accounts was nil at December 31, 2016 and at December 31, 2015.

The credit risk related to cash is minimized as these assets are held with a Canadian chartered bank. The credit risk related to cash equivalents and current and non-current investments is minimized as these assets are all bonds or other obligations guaranteed by Her Majesty in right of Canada or any Province, or any Municipality in Canada.

Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they fall due. The Authority must operate on a self-sufficiency basis and does not have access to Parliamentary appropriations and, as a result, depends on its funding sources, borrowing and cash flows from operating activities to fill its financing requirements. The Authority manages liquidity risk by continuously monitoring actual and projected cash flows. The Authority has a revolving demand credit facility with a Canadian chartered bank of up to $3.0 million to provide working capital financing. The interest rate is equivalent to the bank's prime rate. The Minister of Finance authorizes this amount. The credit facility is available to the Authority as required and is renewed annually. At December 31, 2016, the Authority was not using the line of credit (December 31, 2015 – nil). During the 2016 year end, the interest expense was nil (2015 - nil). The Authority took measures to obtain a line of credit in order to meet its financial obligation. As at December 31, 2016 and December 31, 2015, the Authority's financial liabilities were limited to accrued salaries and benefits and other accounts payable and accrued charges.

The Authority's financial liabilities had a carrying value of $9,773,200 (December 31, 2015 - $8,448,182). As at December 31, 2016 (December 31, 2015 – 100%), all of the Authority's accrued salaries and benefits and other accounts payable and accrued charges were current or less than 90 days.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Authority's income or the value of its holdings of financial instruments.

(a) Interest rate risk:

The Authority's cash equivalent and investments include current and non-current liquid investments. It is management's opinion that the Authority is not exposed to any significant interest rate risk.

(b) Currency risk and other risks:

The Authority is not presently exposed to any significant currency risk or other price risk.

Fair values

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into a hierarchy based on the degree to which the fair value is observable. Level 1 fair value measurements are derived from unadjusted, quoted prices in active markets for identical assets or liabilities. Level 2 fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability directly or indirectly. Level 3 fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The Authority's cash and cash equivalents and investments are measured subsequent to initial recognition at fair value. Cash is evaluated at a Level 1 at December 31, 2016 and December 31, 2015. Cash equivalents and investments are evaluated at a Level 2 at December 31, 2016 and December 31, 2015. The Authority did not have Level 3 financial instruments at December 31, 2016 and December 31, 2015.

7. Property and equipment

	Buildings	Furniture	Leasehold improvements	Communication and computer equipment	Projects in Progress	Total
Cost						
At January 1, 2015	$ 38,494	$ 157,959	$ 134,571	$ 774,505	$ -	$1,105,529
Assets acquired	-	45,312	53,706	2,268	13,094	114,380
Disposals	-	-	(7,815)	(2,583)	-	(10,398)
Transfers	-	-	-	-	-	-
At December 31, 2015	$ 38,494	$ 203,271	$ 180,462	$ 774,190	$ 13,094	$1,209,511
Assets acquired	84,304	12,682	-	22,249	136,228	255,463
Disposals	-	-	-	(718,283)	-	(718,283)
Transfers	13,094	-	-	-	(13,094)	-
At December 31, 2016	$135,892	$ 215,953	$ 180,462	$ 78,156	$ 136,228	$ 746, 691
Accumulated depreciation						
At January 1, 2015	$ 38,494	$ 86,496	$ 87,217	$ 477,097	$ -	$ 689,304
Depreciation for the year	-	15,064	11,229	148,422	-	174,715
Disposals	-	-	(7,815)	(2,583)	-	(10,398)
Transfers	-	-	-	-	-	-
At December 31, 2015	$ 38,494	$ 101,560	$ 90,631	$ 622,936	$ -	$ 853,621
Depreciation for the year	4,871	15,374	11,229	152,662	-	184,136
Disposals	-	-	-	(718,283)	-	(718,283)
Transfers	-	-	-	-	-	-
At December 31, 2016	$ 43,365	$ 116,934	$ 101,860	$ 57,315	$ -	$ 319,474
Carrying amounts						
At December 31, 2015	$ -	$ 101,711	$ 89,831	$ 151,254	$ 13,094	$ 355,890
At December 31, 2016	$ 92,527	$ 99,019	$ 78,602	$ 20,841	$ 136,228	$ 427,217

8. Intangible assets

	Software	Projects in Progress	Total
Cost			
At January 1, 2015	$ 450,158	$ -	$ 450,158
Assets acquired	4,321	150,000	154,321
Disposals	(31,667)	-	(31,667)
At December 31, 2015	$ 422,812	$ 150,000	$ 572,812
Assets acquired	$ 11,596	$ 2,000	$ 13,596
Disposals	(292,500)	-	(292,500)
At December 31, 2016	$ 141,908	$ 152,000	$ 293,908
Accumulated amortization			
At January 1, 2015	$ 308,990	$ -	$ 308,990
Amortization for the year	70,100	-	70,100
Disposals	(31,667)	-	(31,667)
At December 31, 2015	$ 347,423	$ -	$ 347,423
Amortization for the year	72,178	-	72,178
Disposals	(292,500)	-	(292,500)
At December 31, 2016	$ 127,101	$ -	$ 127,101
Carrying amounts			
At December 31, 2015	$ 75,389	$ 150,000	$ 225,389
At December 31, 2016	$ 14,807	$ 152,000	$ 166,807

9. Bank indebtedness and bank overdraft

Bank indebtedness and bank overdraft at December 31 was nil for 2016 and 2015.

10. Investments

		Fair Values			
As at December 31, 2016	Carrying value	Level 1	Level 2	Level 3	Total
Current bonds	$ 703,324	$ -	$ 696,932	$ -	$ 696,932
Non-current bonds	-	-	-	-	-
Total Investments	$ 703,324	$ -	$ 696,932	$ -	$ 696,932

		Fair Values			
As at December 31, 2015	Carrying value	Level 1	Level 2	Level 3	Total
Current bonds	$2,096,926	$ -	$2,097,285	$ -	$2,097,285
Non-current bonds	344,175	-	344,963	-	344,963
Total Investments	$2,441,101	$ -	$2,442,248	$ -	$2,442,248

Investments previously disclosed as Level 1 are now disclosed as Level 2 in the fair value hierarchy to better reflect the nature of the inputs used in determining fair value. As a result, the associated comparative figures as at December 31, 2015, have also been reclassified to Level 2 to conform with the current year presentation. All investments disclosed as Level 1 in the prior year have been classified to Level 2 for the current year. The interest earned during the year was $12,309 (2015 – $42,957). The annualized rates of return during the period on these investments were between 0.713% and 1.33%.

11. Deferred lease inducement

The Authority had received $75,000 of total lease inducements from its landlord in prior years, in form of reimbursements for leasehold improvements. The benefit of this incentive is recognized as a reduction of rental expenses on a straight line basis over the term of the lease. A total of $7,800 has been recognized as a reduction of rental expenses in 2016 (2015 - $7,801).

12. Pension plan

All of the Authority's employees are covered by the Public Service Pension Plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Authority. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employee's required contribution. The general contribution rate effective at year end was $1.15 for employees hired prior to January 1, 2013 and $1.11 for employees hired after December 31, 2012 (2015 - $1.28 and $1.28 respectively) for every dollar contributed by the employee. If an employee's annual salary is greater than $161,700 (2015 - $157,700), the portion of the employee's salary above this amount is subject to an employer contribution of $6.67 (2015 - $7.13) for every dollar contributed by the employee. Contributions during the year were as follows:

	December 31, 2016	December 31, 2015
Authority	$1,119,996	$1,054,865
Employee	942,245	867,078
Total contributions	$2,062,241	$1,921,943

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2 percent of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

The Authority expects that cash outlays of $1,173,000 will be made to the plan in 2017.

13. Employee benefits

(a) Severance benefits

The post-employment severance benefit is provided to all current employees under various collective agreements and employment contracts. The cost of the benefit is fully paid by the Authority. This plan is unfunded and requires no contributions from employees. The Authority measures its accrued benefit obligations of its post-employment severance benefit for accounting purposes as at December 31st of each year. The weighted average of the maturity of the plan at December 31 was 5.5 years (2015 – 6.5 years). The plan is sensitive to a significant actuarial assumption which is the discount rate. A decrease in the discount rate of 1% would increase the defined benefit obligation at December 31 by $167,300. An increase in the discount rate of 1% would decrease the defined benefit obligation at December 31 by $150,700.

As part of the collective negotiations and changes to conditions of employment of all employees in the last few years, the accumulation of severance benefits under the severance pay program ceased for some employee groups in 2012 and ceased for the remaining group in 2013. Only one group of employees has additional termination benefits for which these employees will continue to accumulate until the end of their employment. With the exception of the pilot groups, all other employees had the value of the benefits paid in full. For the pilot groups, the value of the severance pay benefits will be paid at termination of employment. These changes have been reflected in the calculation of the outstanding severance benefit obligation.

The method to determine the discount rate did not change in 2016 and is based on projected cash flows and a yield curve.

Information about the plan, measured as at the statement of financial position date, is as follows:

	December 31 2016	December 31 2015
Reconciliation of defined benefit obligation		
Defined benefit obligation, beginning of year	$3,250,600	$3,339,500
Current service cost	26,900	26,900
Interest cost	103,600	108,700
Benefits paid	(456,400)	(144,000)
Actuarial loss (gain)	26,400	(80,500)
Defined benefit obligation, end of year	$2,951,100	$3,250,600
Components of expense recognized in profit and loss		
Current service cost	$ 26,900	$ 26,900
Interest cost	103,600	108,700
Total expense recognized in profit and loss	$ 130,500	$ 135,600
Analysis of actuarial gain or loss		
Experience	$ -	$ -
Change in financial assumptions	26,400	(80,500)
Change in demographic assumptions	-	-
Actuarial loss (gain)	$ 26,400	$ (80,500)
Classification of defined benefit obligation		
Current portion	$ 488,300	$ 308,600
Non-current portion	2,462,800	2,942,000
Defined benefit obligation, end of year	$2,951,100	$3,250,600
Key assumptions used in the actuarial valuation		
Discount rate	3.20%	3.40%
Estimated salary rate increase	1.25%-2.75%	1.50%-2.75%
Age at retirement	65 or current age if older	65 or current age if older

The Authority expects that no contributions will be made to the plan in 2017.

(b) Retirees' death benefits

The death benefit is provided to a closed group of pre-1999 retirees and their spouses. The plan is unfunded and does require a monthly contribution from the retiree of $1.90 per $1,000 of benefit.

The Authority measures the accrued benefit obligation of the retirees' death benefit plan for accounting purposes as at December 31 of each year. The weighted average of the maturity of the plan at December 31 was 6.7 years (2015 – 7.3 years). The plan is sensitive to a significant actuarial assumption which is the discount rate. A decrease in the discount rate of 1% would increase the defined benefit obligation at December 31 by $15,700. An increase in the discount rate of 1% would decrease the defined benefit obligation at December 31 by $14,300.

The method to determine the discount rate did not change in 2016 and is based on projected cash flows and a yield curve.

Information about the plan, measured as at the statement of financial position date, is as follows:

	December 31 2016	December 31 2015
Reconciliation of defined benefit obligation		
Defined benefit obligation, beginning of year	$228,600	$238,300
Current service cost	-	-
Interest cost	7,400	8,900
Benefits paid	(30,900)	(30,000)
Retirees' contributions	7,400	8,100
Actuarial loss	-	3,300
Defined benefit obligation, end of year	$212,500	$228,600
Components of expense recognized in profit and loss		
Current service cost	$ -	$ -
Interest cost	7,400	8,900
Total expense recognized in profit and loss	$ 7,400	$ 8,900
Analysis of actuarial gain or loss		
Experience	$ -	$ -
Change in financial assumptions	-	3,300
Change in demographic assumptions	-	-
Actuarial loss	$ -	$ 3,300
Classification of defined benefit obligation		
Current portion	$ 18,800	$ 17,700
Non-current portion	193,700	210,900
Defined benefit obligation, end of year	$212,500	$228,600
Key assumptions used in the actuarial valuation		
Discount rate	3.4%	3.4%

The Administration expects that no contributions will be made to the plan in 2017.

14. Capital management

The Authority's capital is its equity, which consists of accumulated deficit of $1,633,671 (2015 - $779,567).

The Authority is subject to financial management and accountability provisions of the Financial Administration Act which imposes restrictions in relation to borrowings and acquisition of investments. On an annual basis, the Authority must receive approval of all borrowings from the Minister of Finance. The Act limits investments to bonds or other obligations of, or guaranteed by, Her Majesty in right of Canada or any province, or any municipality in Canada. During the periods ended December 31, 2016 and 2015, the Authority has complied with these restrictions.

The Authority manages its equity as a by-product of managing its revenues, expenses, assets, liabilities, and general financial dealings to ensure that its objectives are achieved efficiently. The tariffs of pilotage charges must be fair and reasonable and must enable the Authority to operate on a self-sustaining financial basis, as required by the *Pilotage Act*.

There were no changes in the Authority's approach to capital management during the year.

15. Related party transactions

The Authority is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Authority enters into transactions with these entities in the normal course of business on trade terms and conditions that apply to unrelated parties. These transactions are recorded at fair value. Other than disclosed elsewhere in these financial statements, related party transactions are not significant.

Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the years ended December 31, 2016, and 2015 included:

	Year ended December 31, 2016	Year ended December 31, 2015
Compensation and short- term employee benefits	$608,582	$653,361
Post-employment benefits	73,009	115,546
	$681,591	$768,907

16. Commitments

The Authority has commitments as at the statement of financial position date in respect of a lease for the rental of office space, pilot boat services, rental agreement of office equipment and simulator for training of Authority pilots, a support contract for the Authority's dispatch system, a contract to upgrade the dispatching and billing system, an IPad lease agreement, maintenance agreement and navigational aid components for the pilot's portable pilotage units. Future minimum rental and contractual payments are as follows:

	December 31 2016	December 31 2015
Less than 1 year	$1,018,554	$ 661,478
Between 1 and 5 years	783,669	963,149
More than 5 years	169,467	306,629
	$1,971,690	$1,931,256

17. Non-monetary transactions

The Authority recorded revenue from non-monetary transactions of $94,317 (2015 - $212,825) under "Dispatching and pilot boat income" and expenses from non-monetary transactions of $94,317 (2015 - $212,825) under "Pilot boat services" in the statement of operations and other comprehensive income. The nature of non-monetary transactions is mainly related to pilot boat charges.

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